

Stock Exchanges - situations and future, specialized on the Budapest Stock Exchange Trading System Future

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The Role of Stock Exchanges

The traditional role of the Stock Exchange is accumulate capital by emission, liquidity, transparency by the most quick market valuation and of course making more and more money, „the big business”.

The corporate financing tool can followed two different ways. The continental way is to financing by institutions (banks, savings & loan ass. Etc.) The “US – English” way is to financing by public capital market – the Stock Exchange. This doesn’t mean total financing, but the major capital came from there. For the companies is useful to make emission more and more time, not only one time.

The Market Capitalization of the World Stock Exchanges

If we like to describe the Stock Exchanges in the World, then the basic data source is the „World Federation of Stock Exchanges”. This organization collected the major indicators about the existing SE’s. One of the major indicator is the Market capitalization. (See Table 1)

Stock Exchange Market Capitalization

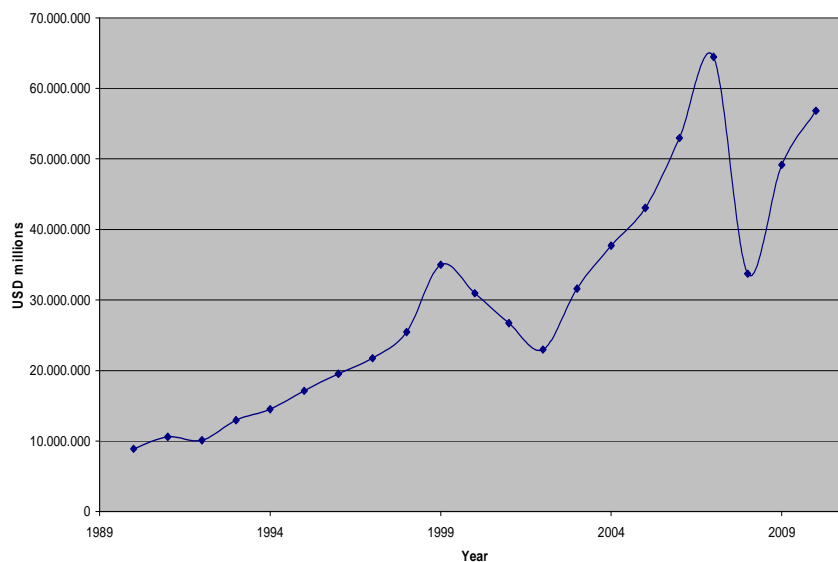


Table 1.

Stock Exchanges Market Capitalization 1990-2010

The next important indicator is the market participation and the concentration of them. (Table 2). Look the concentration can be defined two groups of SE's, the Major and the Satellite SE. Major SE is that, what market participation belonged to the 90% and Satellite SE is the other group. The rest is, which SE's cumulated participation is not more as 10%.

For example in the year 2010 was 52 participants. The first 21 gives the 90% of Market Capitalization. Budapest reach the 46th place, and belongs to the Satellite group.

	Name of the Stock Exchange	Market Capitalization million USD	Participation	Concentration
1	NYSE Euronext (US)	13.394.081,8	23,5720%	23,5720%
2	NASDAQ OMX	3.889.369,9	6,8448%	30,4168%
3	Tokyo SE Group	3.827.774,2	6,7364%	37,1532%
4	London SE Group	3.613.064,0	6,3586%	43,5118%
5	NYSE Euronext (Europe)	2.930.072,4	5,1566%	48,6683%
6	Shanghai SE	2.716.470,2	4,7807%	53,4490%
7	Hong Kong Exchanges	2.711.316,2	4,7716%	58,2206%
8	TSX Group	2.170.432,7	3,8197%	62,0403%
9	Bombay SE	1.631.829,5	2,8718%	64,9121%
10	National Stock Exchange India	1.596.625,3	2,8099%	67,7220%
11	BM&FBOVESPA	1.545.565,7	2,7200%	70,4420%
12	Australian Securities Exchange	1.454.490,6	2,5597%	73,0017%
13	Deutsche Börse	1.429.719,1	2,5161%	75,5179%
14	Shenzhen SE	1.311.370,1	2,3079%	77,8257%
15	SIX Swiss Exchange	1.229.356,5	2,1635%	79,9892%
16	BME Spanish Exchanges	1.171.625,0	2,0619%	82,0512%
17	Korea Exchange	1.091.911,5	1,9216%	83,9728%
18	NASDAQ OMX Nordic Exchange	1.042.153,7	1,8341%	85,8068%
19	MICEX	949.148,9	1,6704%	87,4772%
20	Johannesburg SE	925.007,2	1,6279%	89,1051%
21	Taiwan SE	818.490,5	1,4404%	90,5456%
22	Singapore Exchange	647.226,4	1,1390%	91,6846%
23	Mexican Exchange	454.345,2	0,7996%	92,4842%
24	Bursa Malaysia	408.689,1	0,7192%	93,2035%
25	Indonesia SE	360.388,1	0,6342%	93,8377%
26	Saudi Stock Market - Tadawul	353.409,6	0,6220%	94,4597%

27	Santiago SE	341.798,9	0,6015%	95,0612%
28	Istanbul SE	307.052,0	0,5404%	95,6016%
29	Oslo Børs	295.288,3	0,5197%	96,1212%
30	Thailand SE	277.731,7	0,4888%	96,6100%
31	Osaka Securities Exchange	271.831,4	0,4784%	97,0884%
32	Tel Aviv SE	227.614,0	0,4006%	97,4890%
33	Colombia SE	208.501,7	0,3669%	97,8559%
34	Warsaw SE	190.231,7	0,3348%	98,1907%
35	Philippine SE	157.320,5	0,2769%	98,4676%
36	Wiener Börse	126.032,0	0,2218%	98,6894%
37	Lima SE	103.347,5	0,1819%	98,8712%
38	Luxembourg SE	101.128,5	0,1780%	99,0492%
39	Tehran SE	86.641,5	0,1525%	99,2017%
40	Egyptian Exchange	84.276,8	0,1483%	99,3500%
41	Casablanca SE	69.152,1	0,1217%	99,4717%
42	Athens Exchange	67.586,4	0,1189%	99,5906%
43	Buenos Aires SE	63.909,8	0,1125%	99,7031%
44	Irish SE	60.368,3	0,1062%	99,8094%
45	Amman SE	30.864,4	0,0543%	99,8637%
46	Budapest SE	27.708,4	0,0488%	99,9124%
47	Colombo SE	19.923,9	0,0351%	99,9475%
48	Ljubljana SE	9.383,5	0,0165%	99,9640%
49	Mauritius SE	7.752,8	0,0136%	99,9777%
50	Cyprus SE	6.834,3	0,0120%	99,9897%
51	Malta SE	4.322,8	0,0076%	99,9973%
52	Bermuda SE	1.535,0	0,0027%	100,0000%
Total		56.822.071,3		

Table 2.

The market participation and concentration of the Stock Exchanges in the year 2010

Year	Number of SE's	90%	Satellite	Budapest	
				Place	%
1990	37	11	70,27%	37	100,00%
1991	38	12	68,42%	37	97,37%
1992	39	12	69,23%	36	92,31%
1993	40	14	65,00%	36	90,00%
1994	42	15	64,29%	37	88,10%
1995	43	15	65,12%	38	88,37%
1996	43	15	65,12%	37	86,05%
1997	43	13	69,77%	36	83,72%
1998	44	12	72,73%	35	79,55%
1999	44	11	75,00%	37	84,09%
2000	44	11	75,00%	38	86,36%
2001	46	12	73,91%	40	86,96%
2002	50	15	70,00%	44	88,00%
2003	51	17	66,67%	45	88,24%
2004	53	17	67,92%	44	83,02%
2005	54	19	64,81%	47	87,04%
2006	55	20	63,64%	46	83,64%
2007	55	21	61,82%	47	85,45%
2008	55	21	61,82%	49	89,09%
2009	54	21	61,11%	48	88,89%
2010	52	21	59,62%	46	88,46%

Table 3

Stock Exchange Structure and The Budapest Stock Exchange position 1990 - 2010

If we analyze the last 20 year period, (Table 3) then the number of SE's is slowly climbed from 37 to 52. In the beginning was only 11 SE, which gave the 90% of the market capitalization, this grows to 21.

Budapest belongs always to the Satellite groups; the best position was in 1998.

Satellite Stock Exchange position shows us, how concentrated the market was. In the selected period the concentration was between 60% and 75 percent. The most concentrated period (75%) was around 2000. After them decreased the rate of Satellite SE's to 59,62%.

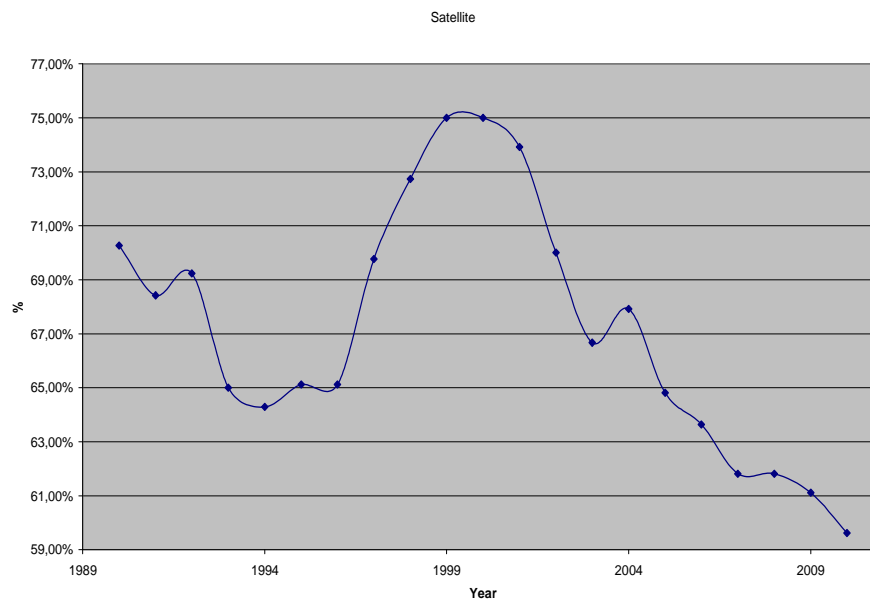


Table 4
Satellite SE's participation by number

The Budapest Stock Exchange

The Budapest Stock Exchange is the only Hungarian Stock Market. The major owner is the Vienna Stock Exchange 50% and an Austrian bank 18%. Other small Hungarian partners deal the rest.

In September, 2011, disagreement over "the introduction of the Xetra" system was given as the reason for the resignation of Budapest exchange head Mihaly Patai. "Patai, who is also chairman-chief executive of the Hungarian arm of Italy-based UniCredit S.p.A. (UNG.MI) and chairman of the Hungarian Banking Association, has been in charge of the bourse since December, 2008," according to the report. The casual was, that the Austrian owner try to introduce a new trading system: XETRA. Other news has been published, that the Frankfurt Stock Exchange and

the NYSE will be merged around 2013. In that time will be changed the trading system to the NYSE Technologies.

The XETRA System

Xetra ("Exchange Electronic Trading") is a worldwide electronic securities trading system based in Frankfurt, Germany. It was created for the Frankfurt Stock Exchange and launched in November, 1997. It is operated by Deutsche Börse.

More than 14 stock exchanges around the world have licensed the Frankfurt Stock Exchange Xetra electronic trading platform. Xetra's electronic trading technology has an outstanding record of high scalability, speed, reliability, quality of core technology and the ease with which it can be adapted in other markets.

The conception and the implementation of the Xetra System was carried out by Accenture and Deutsche Börse Systems, the technology division of Deutsche Börse. It is based on the Eurex system designed and built by Deutsche Börse Systems. The Xetra System can use about 300 000 product in one platform.

The Xetra system has been successfully implemented on the

Irish Stock Exchange (operating as ISE Xetra),

the Vienna Stock Exchange,

the Bulgarian Stock Exchange,

the European Energy Exchange,

the Budapest Stock Exchange,

and a number of other exchanges. It will also be installed on the Shanghai Stock Exchange.

The NYSE trading System

The New York Stock Exchange is the world largest SE, and the leader. Always belongs to the Major.

NYSE Technologies developed access to one of the industry's broadest and deepest FIX-based trading communities with the costumer in mind, empowering the participant with some of the most advanced tools operating across fully-managed message channels.

This NYSE Technologies called APPIA. Now, with FIX Order Routing, everybody can connect to more counterparties, across multiple platforms and in more global markets — through a single FIX session or a direct connection. The NYSE ioinet liquidity discovery program uses a permission-based model to qualify indications of interest (IOIs) and advertised trades (ATs), giving to the users the tools to lower costs while maximizing opportunities. As the Marketplace community grows, the NYSE continue to normalize data from different sources even as the network dynamic becomes exponentially stronger, increasing the value of the customers community-access privileges.

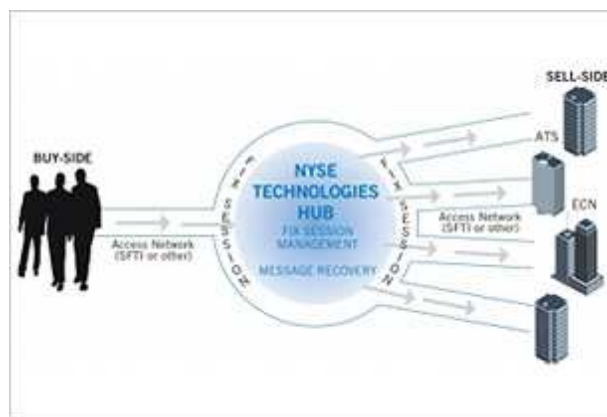


Table 5
The NYSE Technologies – APPIA



Table 6
The NYSE liquidity centers

It will be extended the liquidity centers from the US – English world to Asia. Now are three they centers in Mahwah US Basildon UK and Interxion UK. Other seven – three in US and in Canada, Brazil, Japan and China – will be launched till 2012.



Table 7
Liquidity centers of NYSE (Current and new)

Conclusion

The BSE is too small to be influenced by any decision, but in 2011 it stopped the successful XETRA system. Both – the existing MMTS and XETRA – trading system processing in parallel is inefficient. When the Frankfurt Stock Exchange and the NYSE will be merged around 2013, then the trading system will be changed to the NYSE Technologies in Budapest too.

References

- [1] "Xetra Trading Platform". Deutsche Börse AG. 2007. Retrieved 2007-10-16
- [2] Racz, Gergo, "Hungary bourse President Patai resigns: report", MarketWatch, Sept. 6, 2011, 5:19 am EDT. Retrieved 2011-09-06.
- [3] NYSE Technologies Appia
- [4] World Federation of Stock Exchanges